



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

Drug Reimbursement

Change to Base	FY 04		FY 05	
	GPR	All Funds	GPR	All Funds
MA Expenditures	-\$6,790,200	-\$16,328,400	-\$7,524,000	-\$18,074,700
BadgerCare Expenditures	-\$179,400	-\$532,300	-\$199,800	-\$592,800
SeniorCare Expenditures	-\$1,234,000	-\$2,468,100	-\$1,596,800	-\$3,193,500
Savings from AWP-11.25 to AWP-15%	-\$8,203,600	-\$19,328,800	-\$9,320,600	-\$21,861,000
Change SeniorCare discount rate to AWP minus 11.25%*	-\$3,821,600	-\$7,643,200	-\$5,077,600	-\$10,155,200
TOTAL	-\$12,025,200	-\$26,972,000	-\$14,398,200	-\$32,016,200
* Changing the SeniorCare discount rate from the Medicaid rate plus 5% to AWP minus 11.25% was included in the Governor's SeniorCare proposal.				

Description of Proposal

- Decrease the prescription drug reimbursement rate by increasing the discount rate for brand drugs under Medicaid and BadgerCare from the average wholesale price (AWP) minus 11.25% to the AWP minus 15%, and for SeniorCare from the Medicaid rate plus 5% to AWP minus 15%.

Background

- Federal law requires that pharmacy providers be reimbursed for their services by calculating the cost of the drug plus a dispensing fee. States have the discretion to determine the methodology used to estimate the cost of the drug as well as the dispensing fee.
- Wisconsin Medicaid determines the estimated acquisition cost (EAC) of most drugs in one of the following two ways:
 - Maximum Allowed Cost (MAC) is used when the drug is a generic drug that is readily available.
 - Average Wholesale Price (AWP) minus 11.25% is used for most brand products (drugs still on patent) and generic drugs not on the MAC list. AWP is the number reported by the drug manufacturer.
- Medicaid also reimburses pharmacists a dispensing fee of approximately \$4.38 for most drugs.
- Medicaid expenditures for drugs increased 15.2% in FY02 and are estimated to increase 16.5% in FY03, 14.9% in FY04 and 14.3% in FY05.

Rationale for Proposal

- In 2001, the Office of the Inspector General (OIG) found that pharmacies generally obtain brand drug products from their wholesaler at an average price of AWP minus 21.84%. The proposal to reimburse at AWP-15% would leave a margin of 6.84% on average plus a dispensing fee of \$4.38.

- Wisconsin MA's current drug payment methodology provides higher reimbursement to pharmacy providers for their cost of drugs than other payers.